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TAGS: [EFIN](#) [PGOV](#) [PREL](#) [ECON](#) [PHUM](#) [ELAB](#) [EAID](#) [HO](#)
SUBJECT: TFH01: FINANCIAL INVESTIGATORS DISCUSS DISMISSALS
BY REGIME

REF: TEGUCIGALPA 891

Classified By: Ambassador Hugo Llorens for reasons 1.4 b/d.

¶1. (C) Summary: In recent weeks, two former senior government financial investigators have approached us separately to tell us that they had been dismissed by the de facto regime. Both of them attributed their dismissal at least in part to the regime's lack of interest in investigating financial crime. One of the officials, the former deputy director of the government revenue office's tax fraud unit, believes her refusal to endorse the coup d'etat was another factor in her dismissal. The other, the former head of the government's Financial Intelligence Unit, believes that the de facto government is deliberately weakening his former office by refusing to provide information and resources. While we have heard only one side of both of these stories, they present a disturbing pattern. End summary.

¶2. (C) On October 28, Florangela Santamaria Miralda, who served as deputy director of the fraud investigation unit at the Internal Revenue Service (DEI), informed several Embassy officers via e-mail that she had been dismissed from her job. She met with the Political Counselor and Economic Counselor on November 9 to discuss the situation.

Santamaria Outlines Unit's Successes

¶3. (C) Santamaria said that she had been hired by DEI after an extensive vetting process overseen by the U.S. Department of Treasury's Office of Technical Assistance (OTA), which worked with the Ministry of Finance to establish the unit. The Inter-American Development Bank (IDB) and World Bank also provided assistance. The idea behind the creation of the office, one of only a few of its kind in Latin America, was to create a cadre of non-political technocrats with the skills and authority to investigate revenue and customs fraud. It was envisioned that the members of the unit would have civil service positions, but this was not yet the case. In the meantime, they served as contractors, with their contracts renewed every three months. The unit had 30 members: the director, herself as deputy director, 13 customs investigators, 12 revenue investigators, two analysts, and a secretary.

¶4. (C) The unit, Santamaria said, was investigating 50

cases, including seven major cases. Most involved businessmen and politicians. The unit focuses exclusively on major crimes rather than minor tax infractions. Most cases involve fraud and falsification. The unit's biggest success so far was the uncovering of a large operation that provided false vehicle tax exemption certificates. Santamaria said that in 2008 the unit had a budget of 1.9 million lempiras (about \$100,000) and recovered about 30 million lempiras (about \$1.5 million) from tax evaders. The unit has not succeeded in putting anyone in prison yet, she said, but three or four cases have gone to trial.

Post-June 28 Politicization

15. (C) Santamaria said that she believed that the June 28 removal of President Micheletti was a coup, but she tried to avoid discussing politics at work. It soon became clear to her that the de facto regime did not want the fraud unit to operate effectively. There were budget cuts, making travel impossible. Government prosecutors started cancelling appointments with members of the unit, preventing the unit from bringing its cases forward, since it does not have the authority to take a case to a judge directly. It became apparent to Santamaria that the prosecutors were only interested in prosecuting President Zelaya and his associates. In September, the de facto regime's recently appointed head of the DEI asked her what she thought about the political situation. She declined to answer. However, the DEI leadership appeared to suspect her not only of sympathizing with President Zelaya but also of organizing a strike by DEI contractors to protest lack of payment.

Santamaria told us that this was a union activity and that she neither belonged to the union nor had anything to do with the strike.

16. (C) In late October, Santamaria said, she was told that her contract was not being renewed. No reason was given. Her supervisor was removed from his position and transferred to another unit. Many employees who participated in the strike were also terminated. Santamaria said that two close associates of de facto regime leader Micheletti had been appointed to lead the unit: Amirta Maradiaga as head of the unit and David Sosa as her deputy. Santamaria believes that de facto Minister of Finance Gabriela Nunez may be considering closing the unit. This is possible to do by fiat, she said, because the unit is operating under an executive decree pending the passage of the law establishing the unit, which is before Congress.

Financial Intelligence Unit Head Also Dismissed

17. (C) On October 29, an embassy economic officer received a similar complaint from Armando Busmail, former director of the Financial Information Unit (UIF), the GOH agency charged with investigating money laundering. The UIF operates under the umbrella of the National Commission of Banks and Securities (CNBS). Busmail informed EconOff that he had been dismissed from his position without forewarning or explanation on the afternoon of October 20. That morning, he had been unable to access his computer at UIF headquarters. Within hours of his dismissal, Busmail discovered that all e-mail messages archived in his GOH account had been deleted. Though Busmail led the UIF for only one year, he had served in the GOH for a decade.

18. (C) Busmail told EconOff that, shortly after Jose Luis Moncada's designation by Manuel Zelaya as CNBS president, he had been summoned to provide Moncada with an overview of the UIF, highlighting areas for improvement and describing ideal scenarios in the absence of budget constraints. Busmail encouraged Moncada to increase the UIF's autonomy and access to information. Currently, Busmail said, the UIF had to request documents from the Public Ministry, which often inundated the unit with mounds of irrelevant paperwork. Busmail told EconOff that, after receiving the briefing,

Moncada expressed no interest in supporting UIF efforts. According to Busmail, Moncada was more interested in higher-profile programs. Following the June 28 coup, Moncada appeared to Busmail to be eager to curry favor with the new regime.

¶9. (C) Busmail said that the extent of Moncada's indifference in the effectiveness and integrity of the UIF was made evident when Moncada ordered that the anti-financial crimes agency be supervised by the National Anti-Drug Trafficking Commission (CNCN). Already overwhelmed and strapped for resources, the CNCN is, in Busmail's view, unlikely to ensure that the UIF needs are met appropriately. The shift in UIF supervision is, Busmail believes, merely a symptom of a beleaguered financial oversight mechanism. He noted that Moncada is the fourth person since January 2009 to be named president of the CNBS.

Capacity-Building for Naught

¶10. (C) Busmail said that, as UIF director, he had sought out capacity-building opportunities to educate his staff and foster understanding of and compliance with Financial Action Task Force (FATF) directives. FATF, an independent intergovernmental body, develops and promotes policies designed to protect the global financial system against money laundering and terrorist financing. Busmail played an active role in the development of the Caribbean Financial Action Task Force (CFATF), a regional arm of FATF, consisting of 30 member countries. Prior to his dismissal, Busmail was scheduled to attend the CFATF plenary meetings in Curacao, Netherlands Antilles on October 29. At the meeting, he was scheduled to address concerns regarding Honduras's non-compliance with several core FATF recommendations. The

reason for the lack of compliance, Busmail said, was the government's failure to provide sufficient resources to the unit.

Comment

¶11. (C) While we have heard only one side of each of these stories, the de facto regime's dismissal of the two financial investigators is cause for concern. We are aware of no evidence that the regime is trying to cover up abuses by its own officials, but the two accounts suggest that it may be thwarting efforts to go after perpetrators of financial crime. If this is in fact happening, it may be rooted at least in part in a desire to shore up support by the business community and the political class -- the two groups that, as Santamaria pointed out, are by far the biggest target of these investigations. In addition, the large number of criminal cases that the de facto government has announced against the Zelaya government (reftel) indicates that, as Santamaria suggested, this is where the de facto regime wants most law enforcement efforts to be directed.

LLORENS